



Testifying against Corporate Welfare

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My colleague Chris Edwards testified before the House Budget Committee this morning on "[Removing the Barriers to Free Enterprise and Economic Growth](#)." The first half of Chris's [testimony](#) focused on the problems with corporate welfare spending, which costs taxpayers almost \$100 billion annually and is the topic of my forthcoming study.

The following are a few of the fundamental problems with business subsidies that we addressed in the [written testimony](#):

- Business subsidies undermine the bedrock American value of equality under the law. Subsidies advantage certain businesses at the expense of taxpayers, families, and other businesses. For example, [farm subsidies](#) redistribute wealth from taxpayers to often well-off farm businesses and landowners.
- The more subsidies the government provides to businesses, the more the market's profit-and-loss signals are weakened and the more America's traditions of entrepreneurship and risk-taking by the private sector are undermined. When the government starts handing out money, businesses with weak ideas get in line. Enron, for example, was able to grab huge federal support for its disastrous foreign investment schemes. A more current example is the mounting failures of alternative energy companies that were subsidized by programs championed by the Obama administration.
- Business subsidies have spawned an expanding web of lobby groups that demand ever more favors from policymakers. The more that the government intervenes in the economy, the more lobbying activity is generated, and the more new subsidy programs get created. Businesses that become hooked on subsidies become tools of the state. They lose their independence, and they may focus more on gaining special benefits from Washington than on making good products.
- Business subsidies create an unhealthy – and sometimes corrupt – relationship between businesses and the government. Solyndra is a good example. [According to the New York Times](#), Solyndra "spent nearly \$1.8 million on Washington lobbyists, employing six firms with ties to members of Congress and officials of the Obama White House."